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PRESENTATION

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(technical difficulty)

[Caroline Parot], CEO of the Group; and Luc PÃ©ligry, CFO. We will take you through the presentation, and then we will open up the line for questions.

As today's presentation may contain some forward-looking statements, we invite you to read the important legal disclaimer on Slide 2 of this presentation. This presentation is available on the company's website, and a replay of this call will be available shortly on our website.

And with that, it's my pleasure to pass the floor to Caroline Parot.

Caroline Parot - *Europcar Mobility Group S.A. - CEO & Director*

Thank you. Good evening, everyone. Thank you for joining us at the occasion of our Q3 results publication. Before we deep dive into these results, let's have a look at the agenda.

To begin with, I will share with you some business and business environment highlights, after which Luc PÃ©ligry will guide you through our detailed results. We will conclude with a status update on the consortium's offer, our new outlook for 2021 as well as some midterm perspectives.

So please turn to Page 5. Revenue-wise, our Q2 performance was very good. Month after month, we reduced the gap versus pre-COVID levels. We will come on that in a few minutes. But it is in terms of margin that our performance was truly outstanding with a record 27.4% corporate EBITDA margin level versus 21.9% in Q3 2019, benefiting from current positive pricing momentum, in addition to the structural cost reduction program implemented during 2021 producing full effects now.

This combination allowed for a high corporate free cash flow conversion rate at 40%, which is robust, considering we continue to cure our working capital position from the last year liquidity management during restructuring phase. As a consequence, thanks to these outstanding figures but also due to the beneficial effect of seasonality of our P&L, our corporate net debt was reduced to EUR 210 million (sic) [EUR 211 million].

To be noted as well, we continue to strengthen our balance sheet structure with the successful refinancing of our fleet for a total amount of EUR 2.2 billion with sustainable-linked targets, the first one in our industry. As a matter of fact, this is directly translating our commitments to our green fleet long-term sustainability, and the first step of this program being currently under implementation.

Please turn to Slide 6. As I just told you, in terms of revenue, we experienced a strong rebound at plus 45% versus last year with a significant activity increase in all our businesses. It is, of course, for this big quarter, the leisure service line, which showed the best performance, at an increase of 88% driven by healthy volumes but, most importantly, by prices. Please let me point out that the teams of our low-cost brands, Goldcar and Fox, played a very important role here as they overperformed the leisure segment trend in their respective perimeters, both in terms of volumes and pricing.

For our mainstream brand, Europcar, we manage as well optimized yielding and pricing all summer long, leveraging on customers' appetite for traveling again, including during the month of September. In a nutshell, we leveraged both segments of leisure markets, mainstream and low cost, thanks to the natural complementary of brand portfolio.

This is for our business and business environment highlights. Before I hand over to Luc, I would like to share with you a few insights on the reason we had an outstanding performance.

Please turn to Page 7. I will go straight to the point. We are particularly proud of what we managed to achieve over the last 18 months. As our team likes to say, we are fully back in the game. By the way, I take this opportunity to pay tribute to them. Their engagement and dedication have been nothing but awesome all throughout the very difficult year period as well as in the way they are managing our [press freedom].

To date, all our efforts are clearly paying off, demonstrating how relevant and acute our choice and actions were that we successfully implemented in record time. In other words, the root cause of our outstanding Q3 performance is mainly structural, thanks to the combined effect of first pillar Reboot, our short-term adaptation to the COVID-19 crisis, which allowed us to not only cut EUR 1 billion from our cost base but also enable us to navigate through the crisis with greater agility now well on course at all levels within our organization. The structural cost optimization program is continuing, building upon the permanent gains already implemented in the network as well as in HQ.

The second pillar, Connect. Our strategic road map, which is reshaping our organization around customers, on products and services tailored for them to the new go-to-market approaches. As previously communicated, we are redesigning progressively our offer in all our service lines. On the first focus for professional with flexible solutions, I refer here to Flex, Duoflex, SuperFlex, successfully launched during last Q2. We are now focusing on the next steps with offers to come for the proximity service line and, next year, improved customer journey for the leisure segment.

And finally, our last pillar, the financial restructuring of our P&L, which allowed us to significantly reduce our corporate debt and risk capital to sustain our ambitious mobility plan. As demonstrated by our remarkable Q3 results, we have been able to create the best possible conditions to fully benefit from the travel and leisure market recovery, although this recovery is only at its beginning. In addition to the structural evolution, we are also benefiting from the favorable environment, allowing for high pricing. This came from a high level of demand versus limited supply on rental markets due to the early impact from the semiconductor shortage on OEMs' manufacturing capacities as well as from the strong customer appetite for certain destinations, Southern Europe in particular, after several periods of lockdown. We expect this momentum to last over the course of Q4.

I now hand over to Luc PÃ©ligry who is going to guide you through our detailed Q3 and 9 months results. Luc?

Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

Thank you, Caroline. Let's go to Slide 9. Good afternoon, all. I'm very pleased to comment the great Q3 performance of the group at close to 2 years of hard work and a difficult time.

So let's start with our revenue. We closed the Q3 at EUR 783 million, which is 45% above last year's Q3 and still 27% down versus Q3 2019. We see quarter-after-quarter of strong improvement coming mainly from the leisure with the recovery of the volume enhanced by very good pricing conditions, as highlighted by Caroline. September halved the decline compared to July as revenue were down 18% versus '19. This encouraging performance is mainly driven by the leisure demand continuing strongly in Southern countries, especially Italy, Spain and Portugal, with a strong late summer effect.

Let's go to Slide 10. So for the P&L, look first at the bottom line with the corporate EBITDA and the margin in percentage of revenue. This is the highest ever reached at 27.4%. The strong performance comes from 4 main areas.

The first one is the quality of the top line with a recovery of both volumes, 18% increase, and a sharp increase in price due to the fleet shortage and the strong demand coming from leisure customers.

Second reason is the ability of our teams to adapt the resources to the needs, to optimize the fleet to maximize utilization rate. We are back to the above 2019 level. Without the Australia and New Zealand operations, which were on lockdown during the summer, the utilization rate would have been at 80%, which is above 2019. On top, our fleet teams were also able to resell some aged fleet in a strong remarketing environment.

Third point is the variable cost. These costs have increased overall by only 37%, which is less than the 45% increase in terms of revenue. This reflects the increased proportion of revenue coming from increased prices but also all the work done on the cost structure to reduce or to review the processes, for instance, with the airport fees; or the sales channels to be more focused on the direct-to-brand versus going through brokers or partnerships.

The fourth topic which explains this very good performance in terms of corporate EBITDA is the result from the adaptation plan that we did in late 2020 on HQ and network with staff reduction and station closures. These are our fixed and semi-fixed cost base, and these savings are really paying off.

As we mentioned in the last quarter, and since the beginning of the year, we enjoy a very low -- structural low-cost base that we monitor with the recovery of the business. We no longer benefit from the furlough measures. In Q3, the revenue increased by 45%, and these costs grew only by 9%. For the future, the network and HQ on top will also benefit from all the digitalization initiatives embedded in the Connect strategic road map.

As a summary, these 4 items are reflected in the fall-through, which is measuring the change of EBITDA to the change in revenue. So we just have the change in revenue, which is EUR 287 million loss in terms of revenue versus '19 for a EUR 20 million loss in EBITDA. That means that the fall-through is less than 7%.

Move to Slide 11. Let's have a quick dive on the operational KPIs. So you can see the fleet volume, as I mentioned, is showing an increase in Q3 versus Q2. We have a plus 30% of the fleet on average after a low Q2. This was, of course, very limited due to chip shortage impacting OEM production. Nevertheless, this is a great achievement as we have used all possible levers, resorting to Tier 2 manufacturers and car dealers. But in this context, we have also reduced our de-fleeting process in September compared to our traditional pattern, as you can see, with the Q3 end number at 275,000 versus the average of 268,000 traveling cars.

Second is the utilization rate I already mentioned at Q3 '20 versus Q3 2019, which is at 80% we stated from Australia and New Zealand, which is above the 2019 level, which was a very good performance. So as a whole, what we can see is that all the direct and variable costs decreased by 34% versus the revenue down by 27%, which is, with the volume down by 37%, leading to an MADC margin at its peak at 45.6%, which is 6 points above 2019 level.

With this, we move to the Slide 12. Here, I will go to the P&L, the bottom of the P&L. And I will start again to the bottom with the net results, which has returned to positive territory on a year-to-date basis. This has not been seen since December 2019. So it's really a long recovery. And then you can see, starting with the net result, that we took also a very prudent position on the activation of the tax losses, following the same approach that we will do for the full year results.

On the rest of the P&L, what I would highlight is 3 items. First is the lower depreciation, and this is reflecting the work which has been done on the HQ and network costs with the closure of station or the reduction in terms of HQ, which had an impact on the rent reduction.

The second topic is the nonrecurring costs, which are mainly linked to the restructuring costs and which are totally in line with our adaptation plan that we started in 2020 and finished in 2021 and some one-off costs, especially on the tender offer and some M&A and on the tax and tax issues.

Last topic is the financial results. You see also that the lower financial costs linked to the restructuring. May I remind you that there was the equitization of the corporate bonds despite the increased costs of the new facilities put in place at the time with the new RCF and the new Term Loan B.

We move to Slide 13, on the cash flow generation. So regarding cash generation, we delivered a very strong performance. We have a 40% cash flow conversion on the operating free cash flow with EUR 86 million of operating cash flow on the EUR 215 million corporate EBITDA. And this 40%

is compared to 28% in Q3 2019. So this is a very good performance, which leads to a slightly positive operating free cash flow also on a year-to-date basis, which is offsetting the H1 '21. So that's also a very good performance to see the positive operating free cash flow on the year-to-date.

On the side of the CapEx, the CapEx are slightly delayed and mostly due to IT recruitment phasing impact. On the working capital, following a very tight management that we had over the last 18 months, we are continuing to keep the good practice learned from the crisis with strong collections, and we are progressively returning to a more normalized situation.

And to finish with the last slide, on Slide 14, on the debt side. So as a result from the previous slide, you can see that the net corporate debt has reduced EUR 211 million at the end of September versus EUR 266 million at the end of June, which is primarily driven by the very good performance from the corporate EBITDA but also due to the seasonality effect of the summer. To be noted also in the change in net corporate debt that we have the fleet financing timing impact, which is mainly due to fleet working capital normalization and less de-fleet in Q3 versus historical pattern.

Second topic is the liquidity, and you see that the liquidity has reduced to EUR 372 million. So it's the EUR 303 million that we have on the balance sheet plus the part of the undrawn RCF of EUR 69 million versus EUR 447 million that we had at the end of H1. This is due to the cash which is used in fleet in the context of lower local valeter lines and OEM operating leases. This liquidity, however, can be increased by the undrawn part of the fleet RCF line that was put in place at the time of the restructuring. And so this number of EUR 372 million could be increased by EUR 145 million. That would give a liquidity position -- a positive liquidity position of EUR 517 million.

And to finish, we are very pleased of the fleet refinancing program with 2 major achievements, with the renegotiation of the staff and the securitization in July this year, which is now for EUR 1.7 billion, maturing in 2024. Second topic is the refinancing of the EUR 500 million bond at very good conditions, 3% maturing in 2026, 5-year bond. So both facilities, as mentioned by Caroline, as our sustainable-linked facilities. We have some targets on the fleet in terms of weight of low emission vehicles and target of CO2 emission globally for the fleet. So this is supporting our global ESG program, which is embedded in our Connect strategic road map and will be definitely an enabler to implement the change. So this is really truly important for our customers, our people, our stakeholders and, above all, for our kids. Thank you.

Caroline Parot - *Europcar Mobility Group S.A. - CEO & Director*

Thank you, Luc. So please now go to Page 16. I will share with you a few insights, have an outlook for the year-end as well as some midterm perspectives.

But to begin with, here is a quick update status regarding the Volkswagen-led consortium tender offer on our group. I won't go into details because, as you know, this offer was filed to the AMF, French stock market regulator, on September 20. As a reminder, we expect it is to open over the course of Q4 and to close during the course of Q1 2022 once all regulatory and antitrust clearance have been received. So we are on track and more to come at the beginning of next year.

If we go to Slide 17, based on our outstanding Q3 performance and relying on the good ongoing momentum that we are currently experiencing, we have decided to raise our ambitions in terms of corporate EBITDA and corporate net debt. As you can see, our new corporate EBITDA target for the full year, excluding IFRS 16 impact, is above EUR 150 million compared to the previous guidance of EUR 110 million. And regarding the corporate net debt, the new objective is now EUR 250 million to EUR 300 million range versus previously EUR 300 million and EUR 350 million range.

Despite the context of the fleet shortage, we are also reiterating our ambition to deliver a significant revenue growth for 2021, thanks to the current good business trends in the leisure mainly.

Going to the more long-term view, please turn to Page 18. Listening to me and to us, some of you may think that our midterm prospects are nothing but great and the continuation of this quarter's momentum. Well, this is true, but more recent developments have some headwinds that we have to deal with. As I told you at the beginning of this presentation, all our efforts and actions over the last 18 months were driven by the objective to put us in the best possible conditions to fully benefit from the travel and leisure progressive recovery.

But in 2022, the parameters of this equation will be a little bit more complex to deal with. Let me explain. First, in terms of revenue profile, due to the fact that we foresee the fleet shortage to last, we will focus on profitability over volumes with optimized yielding pricing strategies to make the most of healthy leisure dynamics as well as of international traffic and business travel gradual recoveries.

Second, still due to the fleet shortage, we will most likely have to design and implement an alternative sourcing model characterized by acquisition costs increasing significantly; our share of buyback versus at-risk vehicle, which will decrease, meaning that the fleet sourcing will be more cash intensive versus 2021 due to more at-risk vehicles in our fleet, meaning changing our liquidity profile.

Third, in terms of non-fleet cost, we expect as well an increase for those ones, it should still from the context of overall inflation but also from the need to restaff where necessary in our network but also in key functions and notably in the tech functions.

And fourth, finally, in terms of transformation, we intend to increase our investments and to capture investments at a level managing the crisis to enable an accelerated Connect implementation in order to fully reshape our group into a mobility platform with notably a focus on digitization of operations and customer experience as well as on subscription solutions.

Please go to the next page for the conclusion. I would like to tell you how proud we are of these Q3 results. They fully reflect what we have managed to achieve over the last 18 months. All our efforts are clearly paying off, demonstrating how relevant and acute our choice and actions were. We owe this to ourselves and, of course, to the dedication and engagement of our teams everywhere we operate.

Regarding our trajectory, although we expect some headwinds in 2022, as I just shared with you, we also are very confident in our long-term prospects. We cannot be in a better position to benefit from the progressive travel and leisure market recovery.

Thank you very much for your attention. And now Luc and myself are open for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We'll now take the first question from Jemma Permalloo of JPMorgan.

Jemma Permalloo - *JPMorgan Chase & Co, Research Division - Associate*

Congrats on a good set of numbers. I have a couple of questions. So my first one, the car rental price dynamic right now is pretty strong. And given that you mentioned inflation that you're seeing across some cost lines, I just wondered if you can clarify there if you are able to pass on most of that increase to customers and to what extent.

As a second part to that question, the margin for 3Q is strong. Do you expect that margin to start dropping off at some point? And if you have, any sort of timing around that potential drop-off in mind? And then if you can give us some guidance or quantify the potential increase in non-fleet costs or cash consumption that you alluded to.

And then finally, one of your competitors announced that it has teamed up with Tesla for electric cars. I just wanted to have your thoughts there in terms of how the competitive landscape is looking, especially with OEMs potentially coming out with more electric cars and if you can see some room there for further -- additional color there.

Caroline Parot - *Europcar Mobility Group S.A. - CEO & Director*

Okay. Thank you for your questions. I will share that with Luc PÃ©ligry. On your question on how to pass eventually the inflation on some lines to the customer, obviously, due to the current momentum, we are preparing ourselves to manage this both on the leisure service line, which we are currently doing, and we are actively working on the same program for the business lines, professional and proximity, where we do believe we are reasonably well engaged in this passing on to the customer. The main story will be what is the real level lending on inflation that we are preparing on. So to your question simply, yes, we are going to. And we are already working on that. We will have to see how fast we can do that depending on some contracted business that we are changing already, but the general answer is yes.

On your question of the drop of the margin, we do believe the industry faced significant bad times over the last 18 months. So the pricing discipline that is really now in the market is strong, and we do continue to work hard on margin improvement for the next year. The group has put together, since 18 months, strong cost base reductions, which we do believe are permanent. And we are working on them to continue to streamline the group, and we will rely on digitalization of our Connect programs to continue to improve our cost efficiency and our cost base while, in the meantime, we continue also to invest in those IT development, platform development. So we want to maintain and improve our margin progressively, but the reason of it could be different quarter-to-quarter. And it is here that we are working on.

Your third question, Luc, perhaps you can take it over.

Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

I think it was the cash in the fleet, if I understand well.

Jemma Permalloo - *JPMorgan Chase & Co, Research Division - Associate*

Yes, if you can give us some sort of guidance around the potential increase in non-fleet costs, if you have it.

Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

As far as the cash in fleet is concerned, it's true that we had to put some cash in the fleet in the Q3. Now we expect to be able to, I would say, increase the level of alternative financing sources. You know that we have also some operating leases that we have with OEMs and then some valeter lines with banks. So I believe that we are in discussion with many countries about these lines. So that will limit, I would say, the recourse to corporate cash to be put in the fleet. So that's a topic. And as far as the cash consumption is concerned, you saw from our figures in Q3 that it was rather limited. And we expect to have a bit of cash consumption in Q4 as we traditionally have, but it will be limited.

The last question, I think, was on the EV side. I think that you understood that we took some commitments on the refinancing that we set up on both the securitization and on the bond. So we have some targets. And so what we expect is to have 20% of the fleet, which will be, I would say, below 50 grams of CO_2 by kilometer in '24. It means that it's mainly EVs that we are talking about. So that's the target, the trajectory that we have. And that's the target for '24, but we have some milestone for the SARF in '22 and '23 to increase the share of these cars within the fleet.

Caroline Parot - *Europcar Mobility Group S.A. - CEO & Director*

This is totally, Caroline speaking, about the current program Connect to enhance dramatically the EV in the fleet. We have already started this year. There is a slow movement this year because of the sourcing capabilities that we have to manage, but we are working on programs to enhance the sourcing capabilities; second, working with some partners to also allow charging points in a totally different manner. So we have signed in H1 an agreement to help us to go for an acceleration of the charging points, which are going together with an electrification of the fleet. But the commitment is starting. We are progressing. And next year, we will make some further announcements, obviously, here depending anyway on the sourcing capabilities of all the OEMs, which have been impacted by the semiconductor shortage.

Operator

(Operator Instructions) It appears there are no further questions on the phone line.

Caroline Parot - *Europcar Mobility Group S.A. - CEO & Director*

So if there's no question on the line, we have some Internet question. One is coming back again on the change of the business mix between buying back versus at risk, which has caused in our short view for next year of being a risk to manage. Obviously, due to the shortage of cars everywhere in Europe, we have already started this quarter. But we are continuing to source with non-buyback manufacturers the cars, to be sure that we are fulfilling our capacity. It means that we have a shift from a traditional fully fleet-based approach -- debt-based approach on the fleet to something which is more at-risk vehicle.

And as mentioned by Luc, even though we are putting together some actions to be able to finance through operating lease the at-risk vehicle, the corporate allocation of cash to the fleet will increase at least next year to be able to source more at-risk vehicles from various dealerships or from other alternative sources we are working on. So there will be more cash that will directly flow into the fleet. And we are contemplating currently this program to be able to guide the market more accurately in our 2022 year guidance. But work is ongoing.

Operator

There are no further questions on the phone.

Caroline Parot - *Europcar Mobility Group S.A. - CEO & Director*

Okay. So there are no further questions, so thank you to all of you who attended this quarterly results of the group. As you have seen, we have managed a good recovery, a fast recovery. It's going to continue. We know what are the issues to be managed for the year 2022 and really pleased to guide you through those directions for our full year earnings growth that will take place in the course of Q1 where we'll have more visibility on the sourcing matters and all these inflationary matters which are coming in our industry. Thank you very much, and talk to you very soon.

Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

Thank you very much. Bye.

Operator

That concludes today's call. Thank you for your participation. You may now disconnect.